

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS HUME TO INTERROGATORIES OF
THE DIRECT MARKETING ASSOCIATION, INC.
(DMA/USPS-T18-1-2)

The United States Postal Service hereby provides responses of witness Hume to the following interrogatories of the Direct Marketing Association, Inc.: DMA/USPS-T18-1-2, filed on August 15, 1997.

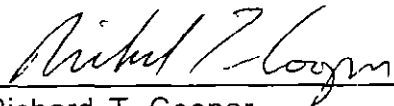
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Richard T. Cooper

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August 29, 1997

Response of Postal Service Witness Hume to DMA Interrogatories

DMA/USPS-T18-1. Please refer to page 11, lines 13-17, of your direct testimony (USPS-T-18) in which you state that cost savings from Delivery Point Sequencing (DPS) "is well known on a local basis and the savings are evident from contemporary work-hours statistics."

- a. Please describe the extent to which DPS cost savings are "well known on a local basis" including the degree of such savings.
- b. Please describe and produce the "contemporary work-hours statistics" detailing the cost savings from DPS.

RESPONSE:

- a. My statement "this amount [DPS savings] is well known on a local basis" arises from the fact that when DPS is implemented at a particular delivery unit, carrier supervisors are expected (other things being equal) to realize a specific reduction in total office time. The work-hour amount of this reduction is determined by the relative volume of letters that is converted to DPS.
- b. My term "contemporary work-hours statistics" was intended as a generality rather than a reference to a particular source. Indications of DPS savings are evident as a reduction in the relative proportion of city carrier office time to total time for an aggregation of delivery units. For example, on a national basis, as determined by the CRA for recent years, the office time proportion has declined thus:

	<u>Office (\$000)</u>	<u>Total (\$000)</u>	<u>Office/Total</u>
FY93	4,005,087	10,460,564	0.383
FY94	4,163,359	11,043,423	0.377
FY95	4,161,304	11,402,483	0.365
FY96	3,946,362	11,461,472	0.344

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DMA/USPS-T18-2. Please refer to page 11, line 22, through page 12, line 2, and page 13, lines 1 through 5, of your direct testimony (USPS-T-7) in which you state that future DPS cost savings are based on "budget amounts recognized from FY93 through FY96."

- a. Please detail the extent of cost savings from DPS in FY93 through FY96 and the estimated cost savings from DPS for FY97 through FY2000.
- b. Please confirm that the cumulative estimated cost savings from DPS for FY93 through FY96 are less than the estimated cost savings from DPS for FY97 through FY2000.
- c. If sub-part b. is confirmed, please confirm that applying the DPS cost savings from FY93 through FY96 to determine the TY98 cost savings from DPS underestimates the extent of DPS cost savings for each rate category for TY98.
- d. Please describe the projected DPS cost savings for TY98.

RESPONSE:

You have apparently misread my testimony. I do not state that "future DPS cost savings are based on budget amounts recognized from FY93 through FY96". The budget amounts in question are apportioned by rate category to form the new "DPS Savings Returned" cost element which I use to adjust the base year costs of certain letter categories to an effective zero-DPS situation for FY96. This provides me with a point of departure for estimating FY98 costs on the basis of DPS percentage levels.

- a. I am not sure what you mean by "extent of cost savings". The total budgeted DPS savings for the years FY94, FY95, and FY96 are 118,937(\$000), 223,654(\$000), and 269,002(\$000), shown in Sheet H-1 (at e12, e13, e14) of my Workpaper 1. (Due to a typographical error, the lines for FY95 and FY96 are incorrectly labeled "FY94".) These amounts are taken from Sheet 3 (at cells k5, k6, and k7) of Spreadsheet DPSDK98.XLS of Library Reference H-129 (see the Worksheet 1 Documentation for Sheet H-1). After cumulative cost level

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adjustments (performed in Sheet H-1), the total DPS budgeted savings effective for the period FY93 through FY96 is 624,178(\$000), shown at e10 of Sheet H-1. This amount is allocated among affected classes on the basis of LIOCATT figures, giving, for example, the 64,951(\$000) 3brr Other DPS Savings Returned element seen at line 13 of page 12 of my testimony.

I have no knowledge of the estimated cost savings from DPS for FY97 through FY2000; such was not a subject of my testimony.

- b. Not confirmed. See the last paragraph of my response to a. above.
- c. See my response to b.
- d. The projected DPS unit-cost savings for TY98 with respect to the zero-DPS situation of my cost development are listed by rate category in Tables A-6, B-6, and C-6 of my Exhibits USPS-18A, USPS-18B, and USPS-18C. These tables also list the pertinent FY98 volumes. The projected total DPS savings can be computed from the unit costs and the corresponding volumes.

DECLARATION

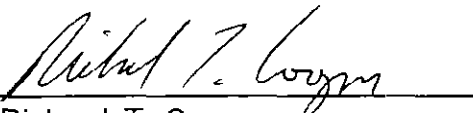
I, Peter D. Hume, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

P.D. Hume

Dated: 8-29-97

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.


Richard T. Cooper

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